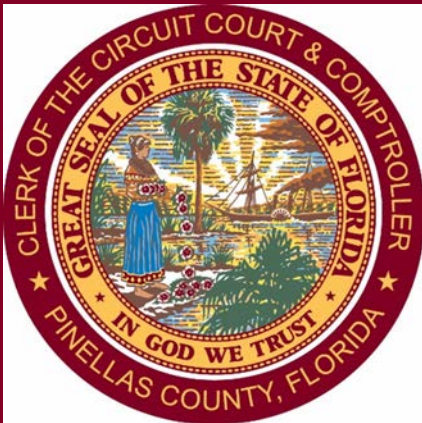




**DIVISION OF INSPECTOR GENERAL**  
Ken Burke, CPA  
Clerk of the Circuit Court and Comptroller  
Pinellas County, Florida



# AUDIT OF THE CLERK OF THE CIRCUIT COURT AND COMPTROLLER'S PURCHASING CARD PROGRAM



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**REPORT NO. 2019-15**  
**JUNE 21, 2019**



## Ken Burke, CPA

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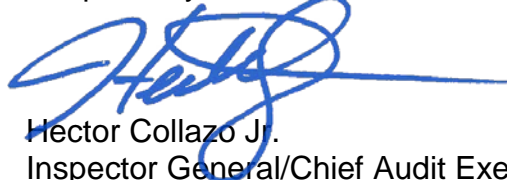
The Honorable Ken Burke, CPA  
Clerk of the Circuit Court and Comptroller

We have conducted an audit of the Clerk of the Circuit Court and Comptroller's Purchasing Card Program based on the results of our annual risk assessment.

Opportunities for Improvement are presented in this report.

We appreciate the cooperation shown by the staff of the Clerk of the Circuit Court and Comptroller's Purchasing Department during the course of this review. We commend management for their responses to our recommendations.

Respectfully Submitted,



Hector Collazo Jr.  
Inspector General/Chief Audit Executive

cc: Teresa Del Rio, Executive Director, Court & Operational Services Division  
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# INTRODUCTION

## *Executive Summary*

As a result of our annual risk assessment, we conducted an audit of the Clerk of the Circuit Court and Comptroller's (CCC) Purchasing Card (P-Card) Program. The objectives of the audit were to:

1. Determine the adequacy of internal controls over the administration of the P-Card program.
2. Determine the compliance of cardholders to the P-Card program policies and procedures.
3. Determine the adequacy of, and compliance with, internal controls over the auditing and processing of expense reports.
4. Determine the adequacy of, and compliance with, internal controls over the auditing and processing of invoices when P-Cards are utilized for payment.

Overall, the internal controls and administration over the P-Card program are adequate and effective. However, opportunities for improvement exist related to the requirement for cardholders to sign the cardholder agreement form. Additionally, management should review and approve the policy and procedures that govern the CCC's P-Card program.

Our review of sample P-Card transactions during the audit period identified four occurrences where employees used the P-Cards improperly, but we found no evidence of potential fraud or abusive purchases made by cardholders. We noted there were 1,827 P-card transactions during our review period of 2017; the audit scope and methodology was not designed to verify that 100% of the transactions complied with purchasing policies and procedures.

The internal controls over the continuous auditing and processing of expense reports and monthly reconciliations conducted by the Finance Division (Finance) are efficient, adequate, and effective. However, management should review and approve the policies and procedures that govern the auditing process.

The use of P-Cards as an authorized form of payment for approved contracts is adequate and effective. The ability to use P-Cards rather than purchase orders for frequently purchased items reduces processing time, staff time, and speeds up the efficiency of CCC operations.

## ***Background***

The CCC P-Card program was created to simplify the procurement process by delegating the purchasing responsibility to the ordering department through the use of the P-Card. This efficiency across the Procure to Pay process provides the following benefits:

- Streamlines the processes and reduces the time spent processing low dollar transactions by user departments, the CCC Purchasing Department (CCC Purchasing), and Finance.
- Expands the vendor base by enabling cardholders to buy in person from local vendors, by telephone, or online.
- Reduces time for payment as merchant payments are handled through VISA at point of sale.
- Allows the CCC to participate in the Bank of America (BOA) rebate program; a refund is calculated based on dollars transacted through the P-Card program.
- Increases transparency and access to records through the iExpense portal in Oracle.

The CCC P-Card is a VISA credit card issued by BOA, Merrill Lynch. BOA provides an online management program called Works Payment Manager, which CCC Purchasing, Finance staff, and other authorized individuals use. The system is used to establish the P-Card program parameters, manage cardholder information, and provide management reports based on selected criteria. The P-Card Administrator can facilitate for P-Card holders access to the BOA Works system so they can view their transactions and select reports.



The P-Card program simplifies the Procure to Pay process. Procurement responsibility is delegated to the ordering department enabling an authorized cardholder to place an order directly with the vendor.

When a supplier requests a purchase authorization at the point of sale, the VISA procurement card system validates the transaction against preset limits established within the P-Card program. All transactions are approved or declined electronically based on the procurement card authorization criteria established. The authorization criteria may be adjusted periodically as needed and may include, but is not limited to, the following:

- Single item purchase limit
- Monthly or daily purchase limit
- Approved vendors (Merchant Category Code)
- Approved commodities (Merchant Category Code Groups)
- Number of transactions allowed per day or per month



The authorization process occurs through the electronic system, BOA Works, which supports the procurement card processing services under the State of Florida Purchasing Card Contract with BOA.

Each cardholder is provided formal training and the written policies associated with the program. The training provided to cardholders focuses on allowable expenses, excluded expenses, and unacceptable practices, such as splitting purchases to avoid the spending limit, backordering purchases, cash advances, and any items for personal use. In addition to the in-person training, cardholders have access to a digital learning environment through the Oracle Learning Management Application.



The P-Card program permits the ability to utilize P-Cards to make payments and purchases against select contracts. However, the requirement to perform this function dictates that the contract and vendor are on a designated approval list and that the prices comply with the contract specifics.

Cardholders are responsible for performing monthly reconciliations on all charges made on their P-Card utilizing the iExpense module within Oracle Project Unified Solution (OPUS). The reconciliation process includes attaching scanned receipts, invoices, and/or shipping statements, verifying usage of the contracted pricing structure, and ensuring sales taxes are applied only when appropriate per the County's Certificate of Exemption. As a governmental entity, the CCC is exempt from sales tax as defined within its Certificate of Exemption. Therefore, the cardholder should dispute all charges reflecting sales taxes that are misapplied and ensure receipt of credits.



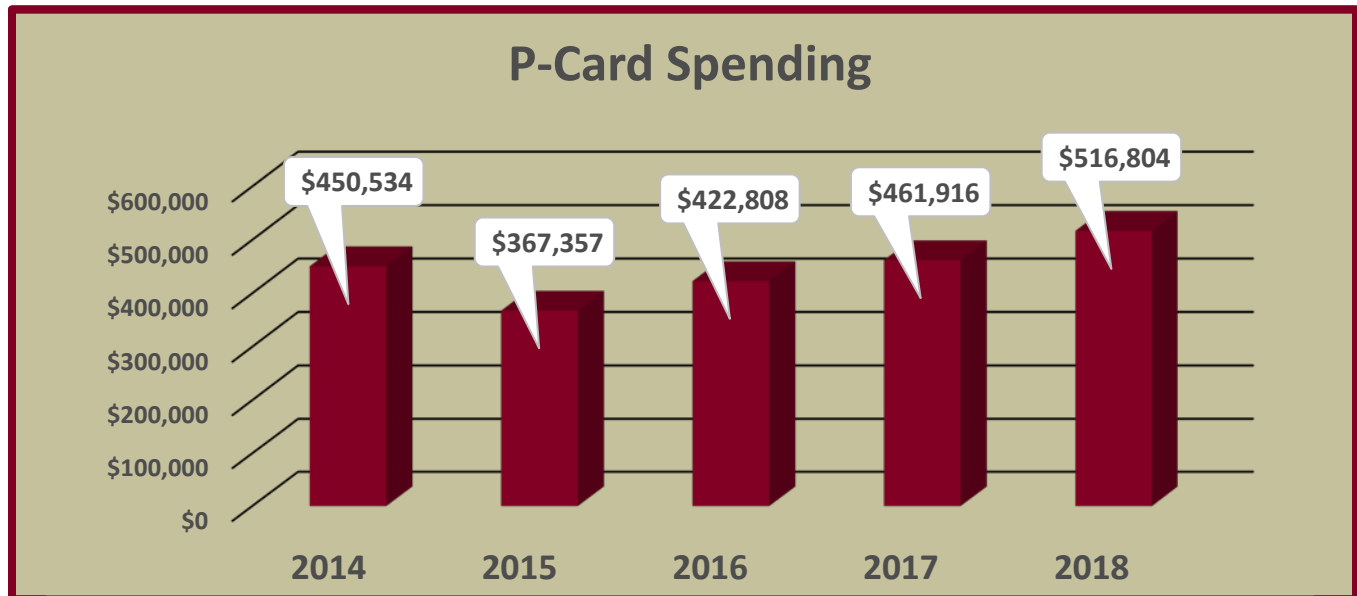
Upon completion of the monthly reconciliation by the cardholder, OPUS will electronically forward the cardholder's expense report and attachments to the appropriate reviewer to approve or decline the submission. If declined, the reviewer returns the expense report to the cardholder for correction. Once the reviewer approves the expense report reconciliation, OPUS will electronically transmit the report and attachments to Finance for review, audit, and final processing of the expense record.

Following is an example of a P-Card iExpense reconciliation from OPUS:

General Information			
Name	Employee, Mr. Pinellas County	Imaged Receipts Status	Required
		Attachments	None <input type="button" value="Add..."/>
Expense Dates	04-DEC-2013 - 18-DEC-2013	Report Total	32.00 USD
Cost Center	381235	Reimbursement Amount	0.00 USD
Purpose	P-Card Purchases DEC2013		
Original Receipts Status	Not Required		
<input type="button" value="Expense Lines"/> <input type="button" value="Expense Allocations"/> <input type="button" value="Weekly Summary"/> <input type="button" value="Approval Notes [0]"/> <input type="button" value="Approvers"/>			
Business Expenses			
Credit Card Expenses			

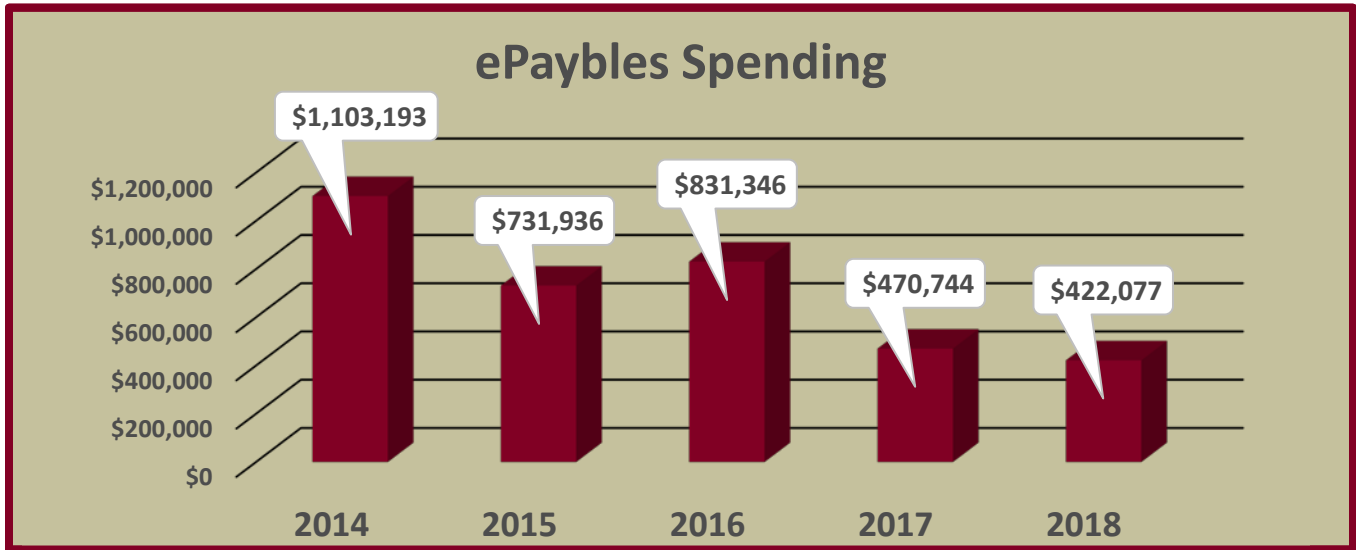
As of February 2019, there were 49 active P-Cards assigned within the CCC. During the review period of 2017, there were 1,827 P-Card transactions with an average spending of \$38,000 per month.

The following chart illustrates the total annual P-Card spending from 2014 through 2018:

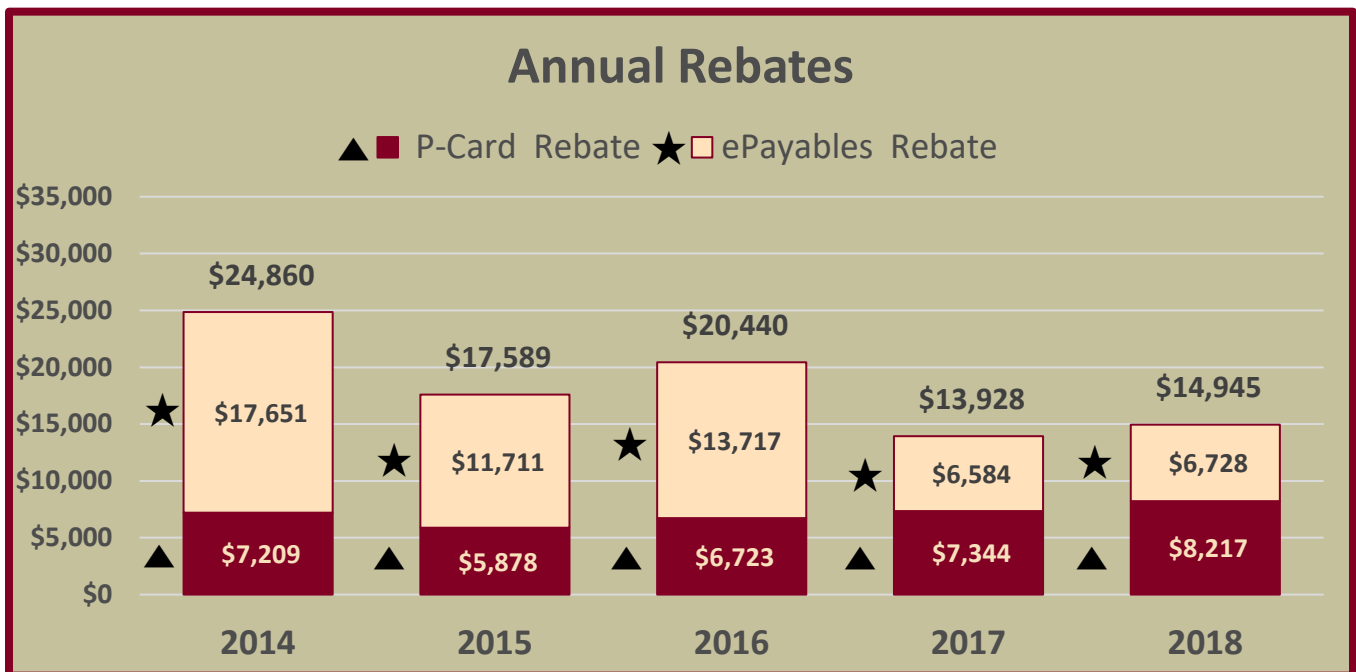


In addition to the inherent savings realized through the utilization of the P-Card process, rebates are calculated on the total amount spent on P-Card and ePayables purchases for the year. The ePayables function essentially uses virtual cards, with each one assigned to a specific vendor. When the Accounts Payable Department receives and obtains approval to pay a vendor invoice, they send an electronic file to BOA indicating how much money to make available to which virtual card. A remittance advice is sent to the vendor, which makes funds available on the virtual card for the appropriate amount.

The following chart illustrates the total annual ePayables spending from 2014 through 2018:



Total annual rebates, including a breakdown of rebates from the two transaction types (P-Card purchases and ePayables purchases), from 2014 through 2018, are depicted in the following chart:



BOA provides rebates on a scale for net purchases in excess of \$1 million. The total amount spent determines basis points, which dictate the rebate percentage to apply to the total spent. For the review period of 2017, the CCC received a rebate of \$13,928, which is approximately 1.5% of the total amount spent (\$461,916 P-Card spending plus \$470,744 ePayables spending).



# SCOPE AND METHODOLOGY

We have conducted an audit of the CCC P-Card Program. The scope of the audit included an evaluation of internal controls over P-Card administration, P-Card transactions' compliance with purchasing policies, and utilization of P-Cards for processing contract payments.

During the course of the audit, we modified the audit period from January 1, 2013 through December 31, 2015, to January 1, 2017 through December 31, 2017, in order to capture more recent and relevant transactions. However, transactions and processes reviewed were not limited by the audit period and scope.

In order to meet the objectives of the audit, we performed the following:

- Reviewed applicable policies and procedures.
- Interviewed CCC Purchasing management and the P-Card Administrator to obtain an understanding of the processes used to issue, monitor, and terminate P-Cards.
- Interviewed Finance staff to obtain an understanding of the processes used to reconcile monthly P-Card statements and audit P-Card transactions.
- Used data analytics to review P-Card transactions for instances of abuse, misuse, or non-compliance with CCC Purchasing policies and procedures.
- Reviewed the use of P-Cards for processing payments for approved contracts.

We noted there were 1,827 P-card transactions during our review period of 2017; the audit scope and methodology was not designed to verify that 100% of the transactions complied with purchasing policies and procedures.

# OBJECTIVES AND OUTCOMES

The objectives of the audit were to:

1. Determine the adequacy of internal controls over the administration of the P-Card program.
2. Determine the compliance of cardholders to the P-Card program policies and procedures.
3. Determine the adequacy of, and compliance with, internal controls over the auditing and processing of expense reports.
4. Determine the adequacy of, and compliance with, internal controls over the auditing and processing of invoices when P-Cards are utilized for payment.

As a result of the audit, we determined:

1. The internal controls over the administration of the P-Card program are adequate and effective. However, improvements are needed to ensure cardholder agreements are consistently obtained, and P-Card Policies and Procedure Guidelines are finalized and approved by management.
2. Overall, the compliance of cardholders to the P-Card program policies and procedures is adequate with the exception of two employees who circumvented single transaction limits, and one employee who purchased a membership to an organization not listed on the approved membership list.
3. Finance's internal controls over auditing and processing monthly reconciliation reports are efficient and effective. However, management should finalize and approve the drafted policies and procedures that are in effect.
4. The internal controls over the auditing and processing of invoices when P-Cards are utilized for payment are efficient and effective.

Our audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and the *Principles and Standards for Offices of Inspector General*, and accordingly, included such tests of records and other auditing procedures, as we considered necessary in the circumstances.

# OPPORTUNITIES FOR IMPROVEMENT

Our audit disclosed certain policies, procedures, and practices that could be improved. Our audit was neither designed nor intended to be a detailed study of every relevant system, procedure, or transaction. Accordingly, the Opportunities for Improvement presented in this report may not be all-inclusive of areas where improvement may be needed.

## **1. CCC P-Card Holders Circumvented Single Transaction Limit Controls.**

An analytical review of 2017 CCC P-Card transactions identified six separate transactions where two CCC employees circumvented the single transaction limit (STL) controls by conducting split transactions to complete the purchases. These purchases would have otherwise required additional approval by management and Finance. While the transactions were not fraudulent or malicious in nature, proper procedures were not followed, and the employees knowingly circumvented controls.

- Split Transactions #1 and #2 - A former employee requested the vendor process two payments, both under their STL, in order to purchase a single item which would have otherwise exceeded their STL.
- Split Transactions #3 and #4 - The same former employee purchased identical items from the same vendor, on the same day, through two separate transactions in order to stay below their STL.
- Split Transactions #5 and #6 - A current employee, after receiving an invoice for materials that cost more than expected, requested the vendor split the two items being purchased into two transactions as to not exceed their STL.

Purchasing cards are established with two levels of spending limits, a monthly credit limit and an STL. An STL is a first line of defense to help prevent P-Card holders from abusing their purchasing power and spending beyond what they have been approved. The total cost of any single transaction cannot exceed the STL. As stated in the CCC P-Card program training material:

*"Circumventing the established single transaction limits by 'splitting' purchases into multiple PCard transactions. This is NEVER permitted. If you anticipate a purchase greater than the Cardholder's limits the appropriate purchasing method is to submit a requisition and make the purchase via Purchase Order.*

*A split purchase is defined as one that is split into two or more transactions either by one or more cardholders to circumvent the single purchasing limit.*

*A Cardholder should never ask a merchant to split a charge into two or more charges to circumvent single purchase limits. This is PCard misuse and may result in loss of PCard privileges."*

In the event an employee needs to spend above their set STL, the employee should follow proper procedures. For a temporary increase, the employee should obtain approval from management and contact CCC Purchasing to request a temporary increase, if it is warranted. If necessary for the job role and approved by management, a permanent increase to both the STL and monthly credit limit could be requested.

The identified split transactions occurred as a result of employees circumventing appropriate spend controls to process necessary purchases. After review by management at the time of the occurrences, it was determined the spend control profiles did not properly reflect the spending needs for the employees' job roles. While the supplies may have been necessary and appropriate for their jobs, the employees did not follow proper procedures, and department management did not follow proper procedures, as they should have requested an increase in the employees' STLs to better align with their spending needs.

When an employee splits transactions in order to bypass the STL, and spend above their approved limit, the employee directly violates policies and undermines the authority who granted them the P-Card. STLs are imposed to protect the CCC from excessive spending and to help ensure employees cannot purchase items that would otherwise need further approval.

***We Recommend CCC Purchasing Management:***

- A. Review and address with the employee who completed the split transactions and department management who approved the transactions in accordance with the CCC P-Card policies.
- B. Communicate to all P-Card holders the importance of not splitting transactions and the implications of doing so.
- C. Utilize the reporting functionality within BOA Works on a regular basis to identify potential split transactions.

***Management Response:***

- A. **Management Concurs.** The issues were addressed with the employee at the time of occurrence.
- B. **Management Concurs.**
- C. **Management Concurs.** Both the BOA Works application and a manual review process will be utilized.

## ***2. An Employee Purchased A Membership For An Unapproved Organization.***

One employee used a P-Card to pay for a membership with an organization not listed on the approved membership list maintained by Finance. Membership fees were paid to the Association of Certified Anti-Money Laundering Specialists for \$195.

Under the "Allowable Purchases" section in the Clerk's Purchasing Card Policy and Procedure Guidelines:

*"Memberships are only paid for organizations that have certified their business and membership records are open to public inspection pursuant to Section 119.01(3), Florida Statutes. The Finance Department maintains a list of approved organizations on their website."*

Per Finance's Approved Membership List:

*"Memberships are only paid for organizations that have certified their business and membership records are open to public inspection pursuant to Section 119.01(3), Florida Statutes."*

As the first line of defense, department management is responsible for reviewing and confirming the purchases and monthly reconciliation documentation comply with applicable policies and procedures. Due to a lack of adequate review during the reconciliation approval process conducted by department management and the audit process conducted by Finance, the reviewers did not flag or deny the transactions. The use of P-Cards to pay for non-approved memberships creates unnecessary expenses for the CCC. Additionally, the misuse of a CCC P-Card would require immediate reimbursement, and could result in a disciplinary action up to and including dismissal.

### ***We Recommend Finance Management:***

- A. Review the organization associated with the identified transaction and determine if it should be on the approved open records membership list. If Finance deems the organization not in compliance with approval requirements, we recommend the organization be added to the "Not Open Records" list for memberships.
- B. Coordinate with the applicable Department Directors to obtain reimbursement of the membership fees from the employee for whom the membership was purchased in the event the identified organization is not approved.

### ***We Recommend CCC Purchasing Management:***

- C. Provide regular training refresher courses for both P-Card holders and department managers to ensure staff is aware, and adhere to, the approved membership list.

***Management Response:***

- A. **Management Concurs.**
- B. **Management Concurs.** It is the department management's responsibility to pursue reimbursement from their employees as appropriate.
- C. **Management Concurs.** Clerk's Purchasing will provide regular training refresher courses for both P-Card holders and department managers to ensure staff is aware, and adhere to, the approved membership list.

### ***3. P-Card Holders Do Not Always Sign The Cardholder Agreement Form.***

Despite having an updated Clerk's Purchasing Card Cardholder Agreement form, CCC Purchasing has not been requiring cardholders to review and sign the form upon issuance of their P-Card. The only documentation employees are required to sign, is an acknowledgment form that confirms they have received their P-Card.

We selected a sample of 10 cardholders out of the total 48 active P-Cards, as of January 14, 2019, to review their signed cardholder agreement. Only three of the sampled cardholders had signed cardholder agreements on file. Additionally, CCC Purchasing management stated some of the signed documents related to P-Cards are in paper form, while documents that are more recent are in electronic format.

The CCC bestows trust in its employees when it grants them the use of a CCC P-Card. The issuance of each P-Card should require a signed Cardholder Agreement, which outlines the employees' rights and responsibilities as an entrusted cardholder for the CCC. Failure to comply with cardholder responsibilities could result in disciplinary actions, including termination, as well as be held personally liable for any damages or charges incurred for violating the terms of the agreement.

Requiring cardholders to sign the Cardholder Agreement when P-Cards are first issued, as well as having employees review and sign them on a regular basis, helps ensure employees are updated and aware of their rights, responsibilities, and consequences. Management stated in recent years they have not been requiring existing cardholders to sign the Clerk's Purchasing Cardholder Agreement form, however, all new cardholders are required to complete a Cardholder Agreement.

The lack of requiring cardholders to review and sign an agreement on a regular basis creates the opportunity for employees to deny knowing or understanding their responsibilities, which could possibly create liability for the CCC. Additionally, by not having agreements in electronic format, the CCC runs the risk of misplacing or losing the paper form, as well as creating the unnecessary need to store documents in a physical location.



***We Recommend CCC Purchasing Management:***

- A. Require all current cardholders to sign the current Cardholder Agreement and maintain the completed forms electronically to allow for safe record keeping and easy access.
- B. Require all P-Card recipients to sign the Cardholder Agreement Form prior to issuance of a P-Card.
- C. Require all Cardholder Agreements be signed annually, or at a minimum when a cardholder is issued a replacement card, changes departments, policies and procedures are updated, or the cardholder has any changes applied to their card profile.
- D. Update applicable policies and procedures to reflect the requirement of having Cardholder Agreements signed on a regular basis and retained electronically.

***Management Response:***

- A. **Management Concurs.** Cardholder agreements will be obtained for existing P-Card holders and will be retained. Clerk's Purchasing will work on developing a process to send, sign, and store documents electronically.
- B. **Management Concurs.** This is the current process and all new P-Card holders since January 2016 have been issued in this manner.
- C. **Management Concurs.** Requirement for all Cardholder Agreements to be signed at issuance and at renewal. Additionally, any significant changes to the Cardholder profile, such as change in job position or change to the card spending profile should also require a new Cardholder agreement.
- D. **Management Concurs.**

## ***4. The Clerk's P-Card Policy And Procedure Guidelines Document Is Not Finalized.***

The Clerk's P-Card Policy and Procedure Guidelines document is currently in draft form, and not yet finalized or approved by management. The document provides guidance and instruction on the appropriate usage of the Clerk's P-Card program. The review and approval by management helps ensure the outlined policies and procedures are appropriate, accurate, and are adhered to consistently across all CCC P-Card holders.

The Clerk's P-Card Policy and Procedure Guidelines document has not undergone the final review and approval process by management. The lack of approved policies and procedures creates the opportunity for variation in procedures and possible inconsistent quality of review of the P-Card program and transactions.

***We Recommend CCC Purchasing Management:***

- A. Review and approve the Clerk's P-Card Policy and Procedure Guidelines document, and review the document at least annually.
- B. Distribute the approved Clerk's P-Card Policy and Procedure Guidelines document to all applicable parties.

***Management Response:***

- A. **Management Concurs.** The Guidelines have been finalized.
- B. **Management Concurs.** The Guidelines have been posted to the Clerk's SharePoint site and will be distributed to Clerk Management and P-Card holders.

## ***5. The P-Card Audit Policy And Procedure Is Not Finalized.***

The P-Card Audit Policy and Procedure maintained by Finance is currently in draft form and not yet finalized or approved by management. The P-Card Audit Policy and Procedure provides guidance and instruction on the correct and appropriate procedures for conducting P-Card reconciliation audits. Finance handles the reconciliation audits for both the BCC and CCC P-Cards.

The P-Card Audit Policy and Procedure has not undergone the final review and approval process by management. Review and approval by management helps ensure the outlined policies and procedures are appropriate, accurate, and are adhered to consistently across all P-Card reconciliation audits. The lack of approved policies and procedures could create the opportunity for variation in procedures and possible inconsistent quality of review of the P-Card reconciliation audits conducted by Finance. This could result in the reviewer not identifying unapproved transactions.



***We Recommend Finance Management:***

Review and approve the P-Card Audit Policy and Procedure, disseminate to appropriate staff, and review the procedure at least annually.

***Management Response:***

**Management Concurs.**



# DIVISION OF INSPECTOR GENERAL

KEN BURKE, CPA  
CLERK OF THE CIRCUIT COURT  
& COMPTROLLER  
PINELLAS COUNTY, FLORIDA

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